



**U.S. Department of Justice**

*United States Attorney  
Eastern District of Wisconsin*

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*517 East Wisconsin Avenue*

*414 / 297-1700*

*Milwaukee, WI 53202*

*TTY 414 / 297-1088*

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**NEWS SUMMARY:      RACINE MAN SENTENCED TO 28 MONTHS  
IMPRISONMENT FOR TAX EVASION AND  
PERJURY IN GRAND JURY TESTIMONY**

United States District Judge J.P. Stadtmueller today sentenced Paul Gregory Koleske of Racine, Wisconsin, to 28 months imprisonment on his federal criminal convictions for tax evasion and perjury in testimony to a federal grand jury. On July 19, 2005, following a two-day jury trial, Koleske had been found guilty of willfully attempting to evade federal income tax due and owing from him and his spouse for calendar year 1997, and of knowingly making a material false statement to a federal grand jury in June of 2001 about a fraudulent investment scheme in which he was involved.

In addition to the imprisonment term, the Court ordered that Koleske pay a fine of \$6000.00 and special assessments totaling \$200.00. Following his release from federal prison, Koleske will also serve a three-year term of supervised release; as special conditions of that term, Koleske was ordered to pay any and all outstanding federal tax indebtedness for calendar years 1997 through 2004 and to cooperate with officers and agents of the Internal Revenue Service in determining his exact tax liability for those years. Koleske has been incarcerated since January 10, 2005, when he was arrested by federal authorities following his flight from prosecution and several months in fugitive status.

According to the United States of America, Koleske failed to file a federal income tax return or otherwise pay income taxes for 1997, when he earned in excess of \$200,000 from various sources, including income from a pyramid scheme involving Seleta J. Nelson Investments, the sale of his long distance business, and early IRA distributions. By failing to file a tax return for that year, Koleske evaded the payment of more than \$36,000 due and owing to the Internal Revenue Service (IRS).

The evidence at trial further showed that Koleske attempted to evade the payment of his tax obligation by making material false statements to agents of the IRS, by establishing and depositing investment income into fraudulent trust accounts, and by advancing various illegitimate theories about his status as a non-taxpayer—including that he was a “non-resident alien,” that he was “sovereign,” and that he had “expatriated” from United States citizenship.

According to IRS Criminal Investigation Special Agent in Charge Sallie T. Cooper: “Mechanisms and manipulations of this type to hide assets and income and to disguise the true nature of financial transactions are fraudulent, pure and simple, and a 28-month jail sentence like that imposed upon Mr. Koleske today is a costly detour in life. This type of detour does not happen to honest, law-abiding citizens who report their income fully and timely and pay the tax legitimately due and owing on it.”

In addition to his conviction and sentence for tax evasion, Koleske was also previously adjudged guilty of and today sentenced for falsely telling a grand jury investigating the Seleta J. Nelson Investments scheme that he had lost about \$334,000 in that enterprise—when, in fact, the results of the IRS investigation along with Koleske’s own admissions to investigators showed that he made substantial profits on it throughout 1997. United States Attorney Steven M. Biskupic commented: “Substantial, material misstatements and misrepresentations of this type compromise both the effectiveness and the integrity of the criminal justice system by misleading authorities about the nature and scope of criminal behavior and by causing quantifiable harm to the real victims of fraud. The sentence imposed upon Mr. Koleske today not only responds to the serious nature of his tax evasion and perjury but also sends the clear message to others like him, who believe that federal tax obligations can be disregarded and subverted without consequence, that they are wrong.”

This case was investigated by the Criminal Investigation Division of the Internal Revenue Service. The prosecution was handled by Assistant United States Attorneys Matthew L. Jacobs, Mel S. Johnson, and James L. Santelle.

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For more information contact:

Assistant United States Attorney James L. Santelle  
Assistant United States Attorney Mel S. Johnson  
Public Affairs Liaison Francia A. Wendelborn  
Telephone: (414) 297-1700